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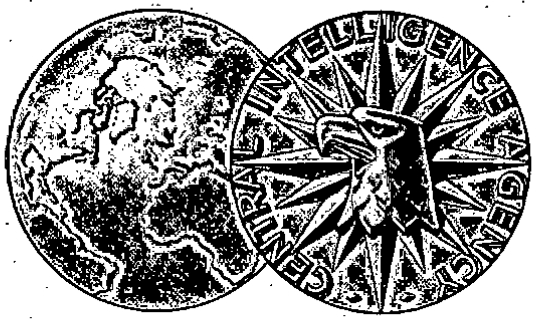

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H I G H L I G H T S

As the Western Foreign Ministers in London continued to consider ways and means of strengthening the Atlantic community, West European public and private opinion was electrified by French Foreign Minister Schuman's proposal to pool the French and German coal and steel industries (see page 11). As set forth by the French, the proposal would create a larger economic unit in Europe as a realistic, major interim move toward European integration and would increase Western Europe's ability to build the military strength necessary to resist Soviet aggression. Although approving the plan in spirit and principle, the Western European governments have avoided specific commitments, and vision and courage will be required to overcome the numerous difficulties which will arise as the plan is discussed in more detail.

Meanwhile, the USSR is continuing its propaganda attacks against the West but appears to be devoting its attention primarily to the German problem in the full realization that control of Germany will in the long run be the key to control of Europe (see page 2). The USSR has reduced East German reparations payments, has attempted to obtain propaganda benefits from its reply to the Western proposal for all-Berlin elections, and may be preparing to tighten its blockade of Berlin. Despite numerous reports, however, the USSR is not likely to conclude a separate peace treaty with East Germany in the near future.

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SOVIET GERMAN POLICY

Over-all Attitude — As the Western Foreign Ministers meet in London to discuss ways and means of strengthening the Atlantic community, the USSR appears to be devoting its attention primarily to the German problem in the full realization that control of Germany will in the long run be the key to control of Europe. In addition to concerted propaganda attacks on Western policy toward Germany, the USSR has announced a reduction in East German reparations payments and responded to the Western proposal for all-Berlin elections with conditions designed solely to counter the favorable propaganda effect of the original Western proposal. Furthermore, the USSR has given indications of its intent to make its partial blockade of Berlin more effective. Meanwhile, reports that the USSR plans to conclude an early peace treaty with the German Democratic Republic have become more frequent but do not appear to coincide with current Soviet tactics in Germany.

Economic Blockade — Although the USSR is not likely to re-impose a full-scale blockade of Berlin, it is taking steps which could be used as justification for tightening its present restrictions on Berlin traffic. Soviet propaganda is accusing the Western Powers of carrying "illegal" goods on their military train. In addition, the Soviet Control Commission has made its third official protest in as many months charging violations of traffic regulations and threatening confiscation of "illegal" cargoes. Meanwhile, Soviet capabilities for harassing Berlin traffic without damage to East Berlin or East Germany through Western retaliation have been improved by the completion of one heavy load track by-passing West Berlin.

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Peace Treaty Although the USSR may eventually make a clean break with the West on Germany by concluding a separate peace treaty with the German Democratic Republic, such a move is not likely in the near future. Current Soviet strategy in Germany--the communization of the Soviet Zone as a prerequisite to further Communist expansion in Germany--would not be undermined by the reported Soviet action, but a separate peace treaty would require a radical change in the main lines of present Soviet propaganda and would present several tactical difficulties at this time. A separate peace treaty would render hollow long-standing and basic Soviet propaganda themes which have: (1) advocated a peace treaty for all Germany; (2) championed German "unity" while placing the onus for the division of Germany on the West; and (3) accused the West of violating international agreements. In addition to these considerations, a separate peace treaty at this time would create serious problems for the USSR. Such a step would hasten the alignment of West Germany with the West and force the USSR to reach a decision on the Oder-Neisse line which would necessarily be unpopular either with the Germans or the Poles. Moreover, in order to be effective propaganda-wise, the treaty would have to provide for the withdrawal of Soviet occupation troops, a commitment the USSR is not likely to make as long as Western troops remain in Berlin and West Germany.

Although the USSR will probably not conclude a separate peace treaty, at least until after the October elections in the Soviet Zone, the USSR may in the near future for propaganda purposes propose a peace treaty for all Germany. Such a proposal would support the current Soviet propaganda theme accusing the Western Powers of preventing the unification of Germany.

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WESTERN EUROPE

ITALY

Land Reform — The national land reform measure now before Parliament will probably be approved, but only after considerable delays occasioned by persistent opposition from various conservative groups led by right-wing elements in the Christian Democratic Party. These groups are currently attempting to sidetrack the government-sponsored bill by supporting a measure which would call primarily for reclamation of uncultivated land rather than redistribution of cultivated land. Even after the government proposal is approved, these same interests will have considerable success in hindering its implementation by exerting financial pressure, obstructing court procedure, and bribing and intimidating enforcement agencies. Meanwhile, agrarian unrest is acute and is being actively exploited by the Communists. Moreover, any substantial modification of the bill being considered by Parliament might cause the moderate Socialists and the Republicans to resign from the De Gasperi coalition.

GERMANY

Industrial Progress — The Soviet Zone of Germany, until recently handicapped by the shortage of a vital chemical needed for the production of synthetic rubber, has now overcome this deficiency and is producing the chemical in sufficient quantities to meet large Soviet demands for synthetic rubber. The rapidity with which new production was achieved indicates that Western export controls on chemicals can have only a short range effect and, in this instance at least, served as a stimulus to the development of new production facilities.

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EASTERN EUROPE

SOVIET UNION

1950 Budget — The floating of the Fifth State Lottery Loan of 27 billion rubles may provide a clue to the size of the 1950 Soviet budget, which has not yet been made public, presumably pending its formal approval by the newly elected Supreme Soviet. The ratio between the amount of the State Loans and the total budgetary revenues has steadily declined during the postwar years. Continuation of this trend would raise the 1950 Soviet budget to approximately 500 billion rubles, or 12 percent above 1949 budgetary revenue. Part of this increase probably will be allocated to the military expenditures, while the remainder will reflect over-all Soviet industrial expansion.

RUMANIA

Anti-US Action — The Rumanian demand that the US Legation in Bucharest reduce its US personnel to ten (on a parity with Rumanian Legation personnel in Washington) is the most drastic step yet taken by any of the Satellites in the campaign to curtail Western influence in Eastern Europe. The number of Satellite representatives in Washington is far smaller than that of US representatives in the Satellites. Application of the Rumanian formula by the other Satellites, as appears likely, would therefore limit the effectiveness of US missions in Eastern Europe more stringently than measures employed thusfar, such as declaring certain diplomatic personnel personae non gratae, refusing visas for diplomatic replacements, and demanding over-all percentage reductions, as in Czechoslovakia.

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BULGARIA

Agricultural Problems — The Communist regime in Bulgaria, already badly shaken by a year-long purge of Party leaders, is meeting strong peasant opposition to the government's agricultural program. The government has revoked its order calling for mandatory establishment of cooperatives. This placating move was probably felt necessary at this time in order to obtain the cooperation of the peasants during the coming weeks, when the country's principal commercial crop, tobacco, must be sowed. Meanwhile, the Bulgarian farmers have not met the government's quotas for sowing such non-food crops as flax, hemp, alfalfa, and cotton. Distrustful of government promises to provide food and consumer goods in return for such crops, the peasants have concentrated their efforts on insuring their own food supply.

YUGOSLAVIA

Greek Relations — The recent Greek-Yugoslav agreement to exchange envoys provides an essential stepping-stone in the direction of normalizing relations between the two countries. Yugoslav Foreign Minister Kardelj, in a foreign policy speech on 16 May that was remarkable for its friendly tone towards Greece, revealed that preparations are in progress for the re-establishment of rail and postal communications between the two countries, as well as for Yugoslavia's use of the Free Zone of Salonika. Further rapprochement between the two countries could be delayed, if not seriously impeded, however, by the issue of the Greek children brought into Yugoslavia during the Greek civil war.

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YUGOSLAVIA

Although there is as yet no indication that the Yugoslav Government will make sufficient concessions in this matter to satisfy Greek opinion, the Yugoslav Government appears impressed with the importance attached to the problem by the West. Kardelj has now publicly expressed the hope that the re-establishment of more normal ties with Greece will facilitate a solution of the issue.

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NEAR EAST - AFRICA

TURKEY

Election Results The Turkish electorate, given its first opportunity to express a free choice, accorded a heavy majority to the opposition Democratic Party in the 14 May elections, thus strikingly demonstrating the extent to which the democratic processes have been strengthened in Turkey. Although the composition of the new government is still unclear, its foreign policy will not differ from that of the defeated People's Republican Party (PRP). There will be no lessening in Turkey's resistance to Soviet pressure, and the Turks will remain faithful to their alliance with the UK and France and will continue their endeavors to strengthen the bonds of common interest with the US. In internal affairs, however, stronger efforts will undoubtedly be made to reduce the high cost of living, to increase national production and standards of living, and generally to alleviate conditions of economic and financial distress which have been prime targets for Democratic criticism during the PRP administration.

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FAR EAST

CHINA

Chou Shan Retreat — The withdrawal of Nationalist forces from the Chou Shan Islands will raise the number of Taiwan's defenders by some 100,000, but the advantage of concentration will be outweighed by the blow which the evacuation has dealt to Nationalist morale and by the virtual cessation of the Shanghai blockade. It will now become apparent to Taiwan's civilians and armed forces that the island is the next major Communist objective. Psychological tension will increase in anticipation of air attacks, commando raids, Communist infiltration, and finally the long-promised Communist assault. The atmosphere of defeatism on Taiwan has been accentuated by Chiang Kai-shek's recent "do or die" and "fight-to-the-last-man" exhortations.

INDOCHINA

Huu Government — Bao Dai's new Premier, Tran Van Huu, in his inaugural address, clearly revealed his pro-French sympathies and his support for the Cochinchinese separatist movement. Huu emphasized the need to adhere to the French Union and significantly omitted any reference to Vietnamese independence. He dealt a blow to the concept of Vietnamese territorial unity by declaring that the nation's three regions would be accorded a "great degree of administrative decentralization." The position of the pro-French "separatists" has also been strengthened by recent changes in Huu's Cabinet which is now overwhelmingly Cochinchinese. Although the Premier's dismissal of nationalist aims in favor of "efficiency and stability" will doubtless expedite the handling of US economic and military aid, the frustration of Vietnamese nationalism may keep US aid from having its intended effect of winning Vietnamese nationalists to Bao Dai's side.

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WESTERN HEMISPHERE

CUBA

Communist Influence — Communist success during recent weeks in creating labor difficulties in key industries demonstrates the increased influence of Communism in Cuba and constitutes a grave problem for the Cuban Government. Maritime workers and laborers in the sugar industry disregarded directives of their non-Communist leaders and acted on Communist orders for work stoppages and wild-cat strikes. Workers responded to Communist appeals largely because they considered the Communists chiefly responsible for favorable labor legislation, while non-Communist labor leaders, who have won no outstanding gains for labor, are considered to be loyal to the Autentico Party first and to labor second. Communist labor propaganda during the current by-election campaign has effectively emphasized this theme and the masses of the workers have been led to distrust their non-Communist leaders. Communist prestige and influence have thus increased, and Cuban workers remain unconvinced that Communist objectives represent any danger to them or their country.

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SCHUMAN PROPOSAL

The Schuman proposal to pool the French and German coal and steel industries has had an electrifying effect on European public and private opinion. It is generally considered as a bold and imaginative plan which not only may point the way to breaking the current deadlock in progress toward European economic and political union but also may make a substantial contribution to Franco-German cooperation. It may even rank with the European Recovery Program as a milestone in Europe's postwar efforts at economic and military development to counter the Soviet threat.

The proposal took the governments of Europe completely by surprise. The suddenness and unexpectedness of the proposal are in part responsible for the strength of the psychological impact it has had, but at the same time have forced the governments involved to react with some caution. Officially they have approved the spirit and principle of the plan, but have stated that the far-reaching implications of the proposal require careful study.

As briefly set forth by the French, the plan has enormous possibilities. It would tend to relieve French security preoccupations over German heavy industry by giving the French some measure of long-range control of Germany's armament potential. In addition, it would be an important step toward tying West Germany economically and politically with the West. In its timing, the proposal has met with a generally favorable reaction throughout Western Germany. This favorable reaction is based on the strong expectation that present controls over the Ruhr and restrictions on steel output will be either modified or eliminated.

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The proposal would create a larger economic unit in Europe both as a realistic major interim move in the direction of European integration and as a stimulus to increased industrial production, elimination of trade barriers, and greater export capacity. This increase in economic potential would strengthen Western Europe's ability to build the military strength needed to resist Soviet aggression.

Despite the potential gains to be derived from the Schuman plan, strong opposition will appear in many quarters and its long-range value will depend in large part on how it is implemented. It will require extraordinary vision, courage, and enthusiasm on the part of Western Europe's leaders to put the plan into effect as envisaged by the French and without restrictions and limitations (resulting primarily from fears of loss of national sovereignty) which would largely nullify the usefulness of the proposal as a step toward real European integration.

The most controversial aspects of the proposal, and those which must be squarely and decisively met if the plan is to achieve its objectives, include the question of public or private ownership, safeguards against the new organization's acquiring the restrictive characteristics of cartels, and the allocation of rights and prerogatives to the various participating nations.

The proposal will also accentuate the controversial issue of private vs. public ownership. Both French and German Socialists will attempt to use the proposal as a device to promote the nationalization of industry, and at the very least will insist that the agreement not prejudice future nationalization. In this effort they will have the support of the British Labor Party. On the other hand, the proposal is being vehemently opposed by French steel interests which see in the plan a stimulus to public ownership and at the very least an extension of government controls.

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There is some prospect that the new organization will tend to limit competition and erect barriers to free trade. Political and security objectives of the French may lead to attempts to choke off technological development and expansion in Germany. Pressure will be strong within the organization to protect marginal producers. There is also concern that the organization will lead to a general tendency to achieve European unification through coordination of investment and control of production and prices rather than through the single competitive market concept as exemplified in trade liberalization programs.

In addition to the complex problems involved in pooling German and French resources in a manner which would cushion such inevitable repercussions as unemployment, the question of participation by other nations and the degree to which they would have to relinquish national sovereignty will be difficult to determine. The British have expressed some concern over the impact of the plan on their planned economy. The Belgians will avoid commitments until they know the role of Belgian steel and coal production in the over-all plan and are particularly concerned over the possible effects on the uneconomical Belgian coal industry. Italian reaction will be slow to develop for similar reasons, and if unable to participate actively in the plan, Italy will probably increase its support for a Franco-Italian customs union in an attempt to profit by any price benefits that might accrue to France.

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BERLIN YOUTH RALLY

The Free German Youth (FDJ) rally in Berlin 27-29 May 1950 will probably be used by the USSR for propaganda and psychological harassment of the western sectors rather than as a direct attempt to seize the entire city. The USSR probably considers that an attempt by the East German Democratic Republic to seize and hold Berlin would be impossible without direct Soviet troop assistance; because such action would involve great risk of war, it is not likely that the USSR will employ troops in West Berlin on this occasion. A mass invasion of the western sectors, previously reported as planned, now appears unlikely. The rally therefore will probably be one more episode in the continuing Soviet campaign to alienate west Berliners from the Western Powers and eventually eject the West from Berlin.

The possibility exists, however, that localized "spontaneous" incidents accompanying the rally will get out of hand and develop to riot proportions. Efforts will probably be made by the Communists to stage isolated demonstrations in the western sectors, possibly by the use of "agitation units" trained for the purpose. Tactics of this sort may lead to conflict with west sector police or western military units, thus serving as a Soviet probing operation to test Western reaction to East German aggressive moves and also providing the East German cause with youthful Communist martyrs. There is also a possibility, as demonstrated during the recent May Day demonstrations, that the West Berliners will accept any challenges offered and may offer provocation to rioting. The strong reaction of the West Berlin population to the May Day threat indicates they will enthusiastically support the Western Powers.

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The FDJ will probably be able to assemble in Berlin approximately 500,000 Communist-indoctrinated East German youth for the demonstration. About 10,000 members of the East German paramilitary police (Alert Police) are scheduled to participate in the rally. They will probably attend unarmed. Delegations of the regular police will also probably attend. There is no reliable evidence, however, that any of these police have as yet received orders to join in any violence arising from the rally. Their participation is likely to be orderly and well disciplined.

The youth rally will probably be most immediately successful as a demonstration of Communist success in the political indoctrination of German youth. Its sports program and militant nature will appeal to German youth. Its similarity to Nazi mass demonstrations, however, will react adversely on older Germans. Reiteration of the Western Allied will to remain in Berlin has done much to raise the morale of West Berliners, has reassured West Germans, and has kept alive some vestiges of hope among East Germans. The Communist retreat from earlier militant propaganda that the rally would "take over" West Berlin has also weakened the Communist propaganda position. Assuming that the western security forces are able to control any manifestations of violence during the rally, as seems probable, the immediate effect of the rally will be to raise the morale of West Berliners.

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